State of Indiana
S.T.A.R.T.® SMART
Fall 2007

New Default Age-Based Investment Funds in Place

In my last Auditor's Corner article, I alluded to the fact that thanks to the 2006 Pension Protection Act (PPA) some changes were coming for the Plan's default investment fund. Under the new guidelines set forth in the PPA, a stable value fund no longer qualifies as a Qualified Default Investment Alternative (QDIA)—largely due to the fact that it mirrors a savings or money market account and not a retirement savings plan. These new guidelines led the Indiana Deferred Compensation Plan to change the default investment option in August 2007. The Indiana Stable Value Fund has been replaced with the newly designed Target Date Fund Portfolio.

Before the 2006 PPA, many deferred compensation plan sponsors faced a dilemma in how to direct retirement contributions for participants who did not want to manage their own account. That created a situation in which the investment responsibility switched to the plan sponsor. Many plan sponsors defaulted participants to a stable value fund. And while a stable value fund provides a safe harbor for default contributions, it lacks the investment returns and diversification needed in a legitimate retirement plan. Thanks to the direction now given to plan sponsors in the 2006 PPA, a QDIA may now cover a broader range of investment alternatives that provide better return opportunities while also providing stability through diversification. The Target Date Fund the Plan has now set up as its default investment fund satisfies that objective.

What Is a Target Date Fund?

Target date funds—or age-based funds as they are often called—are designed for people who want a simple and effective investment option that leaves most of the ongoing decision making to investment professionals who manage the fund.

With these new fund options, investing is as easy as picking the date that most closely corresponds with your expected retirement date. The age-based funds with dates furthest in the future are the most aggressive with their allocation and invest primarily in stocks. As the retirement date for the fund gets closer, the fund managers gradually adjust the fund to a more conservative (moving from stocks to bonds, for example) investment mix to help protect your money. This happens automatically without you having to spend the time managing your account.

While this approach may seem to go against the old adage of "putting all your eggs in one basket," investing in one of the age-based funds actually spreads your money across many different investment options that make up the fund. This means you'll be less likely to miss out on opportunities in any particular investment category by having a diversified portfolio.

A good way to determine if the age-based funds are right for you is to ask yourself a few simple questions:

1. Do I consider myself to be a knowledgeable investor?
2. Do I want to choose my own investment mix?
3. Do I have time to manage my account on an ongoing basis?

If you answer "no" to one or more of these questions, then this may be the appropriate investment path for you. ■

Auditor's Corner

Getting on Track to Retire

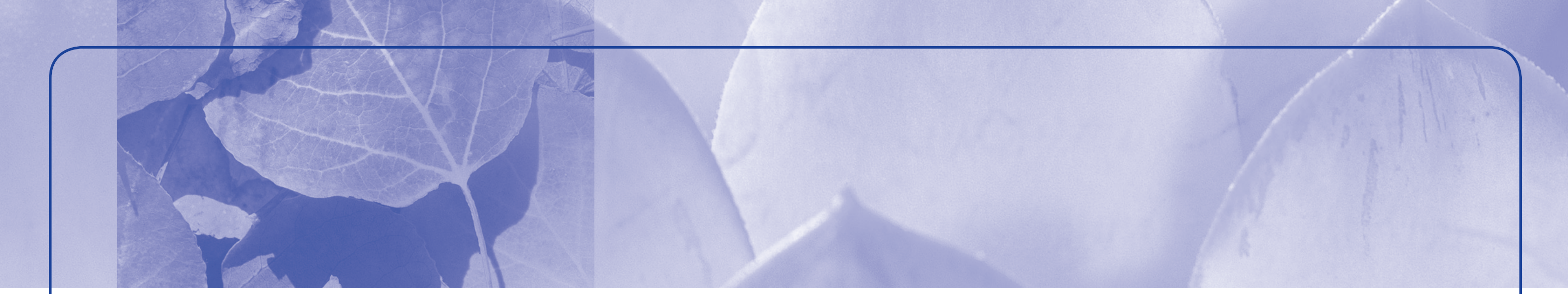
Two retirement plans can help you make up lost savings time.

John and Cindy[1], both 53, have been married for 28 years and can't believe how quickly the time has gone by. They spent much of it raising three sons and pursuing their respective careers. John is a sales representative, and Cindy is a part-time nurse. They have few regrets, but they do wish they had started saving for retirement sooner. The couple has saved roughly $60,000 over the years in their retirement accounts, and they currently each contribute $100 a month to their company-sponsored retirement plans. Still, they figure that's not enough. They'll have to make some changes, but John and Cindy can still sail smoothly into retirement.

Figure Out What to Do

Fortunately, John and Cindy are taking steps to catch up. They recently calculated how much they're likely to need to supplement John's military pension and their combined Social Security benefits when they retire. They discovered they'll need to accumulate an additional combined total of $140,000. They also figured out that they'll need to save roughly $150 a month—another $75 each—to meet that goal in 12 years, when they'll both turn 65.

Continued on back



Track Your Retirement Savings Online

DreamTracker℠ can help you make the most of your savings.

Reaching your retirement goals requires a long-term strategy. Great-West Retirement Services® has a powerful online tool to help you create one. DreamTracker estimates your retirement nest egg and analyzes whether it's big enough. Use it to:

- Assess your current savings strategy to see if you'll meet your goal.
- Understand how rate of return and age at retirement can affect your savings.

- Determine a new savings strategy if it looks like you'll fall short of your goal.
- Make adjustments to your account as your circumstances change.

Log on to **www.hoosierstart.com**. Click on Planning Tools, then DreamTracker. You'll need to provide basic information about your income, current level of savings and retirement income needs. Then you'll begin planning for your financial future. ■

Getting on Track

(continued from first page)

Then Follow Through

After assessing their needs, John and Cindy created a budget that helped them identify areas of overspending. They set reasonable limits in those categories to free up money to save. Meanwhile, they each arranged to have an additional $75 transferred from their salaries into their retirement plans each month. They'll invest the money in growth-oriented mutual funds that may help their money grow faster than inflation during the coming years. The upshot: John and Cindy feel a new confidence that they are on track to meet their retirement goals. ■

Dictionary of Stock Terms

Large cap: Stocks issued by companies with a market capitalization (value) of more than $8.5 billion.

Mid cap: Stocks issued by companies with a market capitalization between $1.5 billion and $8.5 billion.

Small cap: Stocks issued by companies with a market capitalization below $1.5 billion.

International: Stocks issued by companies located outside of the United States. ■

A Week Dedicated to Saving

How important is it to save for retirement? Well, it's important enough that the Senate passed the resolution for a National Save for Retirement Week, which was introduced into the Senate by Senators Gordon Smith (R-OR) and Kent Conrad (D-ND).

Imagine that, a whole week dedicated to retirement saving awareness and education. So how are you going to celebrate? If you're not sure, here's a surefire planning strategy to help you party like your retirement depends on it.

Visit www.save4retirement.net.

Click on the Employee link.

1. Take a fun quiz to test your retirement knowledge and see if you're a rocket scientist, bigfoot or an accordion player.
2. Review the virtual learning presentations.
3. Take the quiz again to see if your results have improved.
4. Tell your friends to take the quiz and then make their results their personal nicknames for the rest of their lives.
5. Continue taking the quiz until you've learned all of the different results (here's a hint, there are six different results possible).
6. Check out all the other great information the site has to offer.

National Save for Retirement Week will be held from October 21 to October 27, 2007. Besides the **www.save4retirement.net** Web site, you may also want to check out **www.nagdca.org** for more information. ■

Easy to do:
Saving for Retirement

Hard to do:
Finding Bigfoot

1. This hypothetical profile is for illustrative purposes only and does not represent any specific investment products or advice. Forecasts and model results are inherently limited and should not be relied upon as an indicator of future performance.